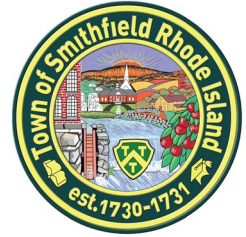


BUDGET AND FINANCIAL REVIEW BOARD



Memorandum

DATE: May 15, 2024
TO: The Honorable Town Council
CC: Randy R. Rossi, Town Manager
RE: Budget & Financial Review Board's Recommended FY25 Budget

Overview

As required per the Town of Smithfield, RI Charter (Article V Financial Procedures, § C-5.06 Submission of Budget), this memo hereby constitutes the Budget and Financial Review Board ("BFRB") submission of the FY25 Budget to the Town Council for their consideration.

BFRB Budget Review Process and Timeline

Completed Tasks

- February 21st – BFRB Meeting to discuss the Budget Process and schedule Milestone Dates
- March 1st – Town Manager's Recommended FY25 Budget published
- March 15th – Initial Budget Questions sent to Department Heads
- March 20th – BFRB Meeting to discuss the Town Manager's Recommended FY25 Budget
- March 22nd – Responses for Initial Budget Questions received from Department Heads
- March 27th – BFRB completed a Public Hearing on Town Manager's Recommended Budget
- April 3rd – BFRB Meeting with Fire Department and Department of Public Works
- April 24th – BFRB Meeting with School Department
- May 1st – BFRB Meeting to Approve Department Budgets
- May 8th – BFRB Meeting to Adopt FY25 BFRB Recommended Budget
- May 15th – BFRB Budget Recommendation Memo to Town Council

Future Dates

- May 29th – Town Council/BFRB Work Session
- June 18th – Town Council to conduct Public Hearing on FY25 Budget

Budget and Financial Review Board
Budget & Financial Review Board's Recommended FY25 Budget
May 15, 2024

Budget Highlights

Revenues

The BFRB FY25 Recommended Budget includes a proposed budget increase to the General Fund of \$4,977,161 or 5.75%. The significant sources of funding for this increase are highlighted below and amount to \$4,514,601 or 91% of this total increase:

- \$1,045,916 would be funded through a proposed increase to the tax levy of 1.73%.
- \$1,045,182 would be funded through an expected increase in School State Aid.
- \$1,100,000 would be funded through an expected increase in School Housing Aid.
- \$1,273,503 would be funded through state reimbursement to offset the impact of new legislation for tangible property tax exemptions.
- \$50,000 would be funded from an increase in the draw from the Capital Reserve Fund.

Expenditures

The General Fund increase (\$4,977,161) will support the following significant expenditures, which amounts to \$4,717,493 or 94% of this total increase:

- \$1,487,493 increase in School Operating Budget
 - Only \$406,509 of this increase is funded by the Town Appropriation, while the remainder is funded by an increase in School State Aid.
- \$790,000 increase in Debt Service payments, primarily due to the School Department HVAC project.
 - This increase will be primarily funded by an increase in School Housing Aid.
- \$755,000 increase in Fire Department expenditures
 - \$417,000 increase in pension contributions (State, Local, Defined Contribution)
 - \$300,000 increase in firefighter salaries & wages and FICA/SS taxes (*contractual*)
 - The remaining increase is primarily due to inflation.
- \$547,000 increase in Police Department expenditures
 - \$460,000 increase in police officer salaries & wages and FICA/SS taxes (*contractual*)
 - \$65,000 addition for crossing guards
 - The remaining increase is primarily due to inflation.

Budget and Financial Review Board
Budget & Financial Review Board's Recommended FY25 Budget
May 15, 2024

- \$500,000 increase in Legislative & Policy Capital Projects:
 - \$290,000 increase in funding of the School Capital Reserve Fund
 - \$210,000 increase for Mountindale Road Culvert project

- \$440,000 increase in Public Works expenditures
 - \$300,000 increase in funding of highway resurfacing, drainage, and sidewalks
 - \$53,000 anticipated increase in refuse & recycling and sanitary landfill costs
 - The remaining increase is primarily due to inflation.

- \$145,000 increase in funding of System-Wide Municipal Obligations
 - \$75,000 increase in medical insurance premiums for retirees
 - \$30,000 increase in insurance premiums
 - \$25,000 increase in funding of OPEB
 - \$10,000 increase in funding of retirement payouts

- \$53,000 increase due to proposed part-time Chief of Staff position in the Town Manager's budget.
 - \$45,000 base salary plus FICA/SS taxes and DB/DC employer contributions

Proposed Tax Rates

As noted above, the FY25 BFRB Recommended Budget includes a proposed increase of 1.73% to the tax levy over the prior year, amounting to \$1,045,916. Due to this increase in the tax levy, the tax rates for residential and commercial property would increase by \$0.81 and \$1.13, respectively, or 5.90%.

The impact of any levy increase more heavily affects these property tax rates, because of the substantial residential properties with frozen taxes. The value of real estate with frozen tax assessments (net of exemptions) increased by \$26.8 million from 12/31/22 to 12/31/23. The current projected cost of the frozen tax assessments for FY25 is just under \$2 million and growing each year, which continues to put more of a burden on the unfrozen residential and commercial taxpayers each time the levy is increased.

Future considerations

In addition, due to new legislation in the State of RI, tangible property tax rates are now frozen along with a new exemption for the first \$50,000 of assessed value. While the State will provide a reimbursement for the exemption, the reimbursement will only be calculated once for FY25 and the annual reimbursement will be this same amount each year; therefore, the Town will need to absorb the cost of future exemptions and the impact of the frozen rate for future growth in tangible property values.

Budget and Financial Review Board
Budget & Financial Review Board's Recommended FY25 Budget
May 15, 2024

Summary

The FY25 BFRB Recommended Budget for the Town of Smithfield was developed through the time, effort, and thought of the various department heads, the Town Manager, and the members of the BFRB. This budget reflects the Town's commitment to providing quality services, while also beginning to address capital and infrastructure needs. The Town has made a great attempt in recent years to limit tax rate increases for the benefit of our taxpayers, however the cost of inflation continues to rise and is up almost 22% over the last 5 years alone. The members of the BFRB believe this budget to be a step in the right direction, not only to maintain the level of service that our constituents come to expect, but to also begin to address the many capital projects that are a part of the Town's recently approved 20-Year Capital Improvements Program.

We appreciate your consideration of this budget. The Board has invested significant time and effort to compile a fiscally-prudent budget to benefit the residents and businesses in Smithfield. We look forward to your questions and dialogue at the Budget Workshop later this month.